

SPEECH
ON THE BILL,

TO PROVIDE FOR THE APPROACHING EXPIRATION

OF THE

BANK CHARTER,

Delivered in the House of Representatives, Dec. 12, 1849,

BY JOHN CUNINGHAM.

ALSO, REPORT

UPON THE POLICY AND PROPRIETY OF LIMITING THE ISSUE OF BILLS OR
PROMISSORY NOTES, PAYABLE TO ORDER OR BEARER, BY ANY
BANK OR CORPORATE BODY IN THE STATE, TO THE
DENOMINATIONS OR AMOUNTS OF TWENTY,
FIFTY AND ONE HUNDRED DOLLARS,
OR UPWARDS.

CHARLESTON, S. C.

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1850.

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THE SPECIAL JOINT COMMITTEE,

To whom was referred so much of the Governor's Message, No. 1, as relates to the Bank of the State, have had the same under consideration, and respectfully Report :

A BILL

To provide for the approaching expiration of the Bank Charter.

Whereas, The General Assembly hath determined that it is inexpedient to renew the Charter of the Bank of the State of South Carolina : *And whereas*, Such determination renders it wise and prudent that the affairs of the Bank of the State should be placed in a state of preparation for the approaching end of its existence :

SEC. I. *Be it enacted by the Senate and House of Representatives, now met and sitting in General Assembly*, That instead of the present number of Presidents and Directors of the said Bank and its Branches, there shall be elected by the General Assembly, as heretofore, one President and four Directors, who shall go into office at the expiration of the present term of the President and Directors of the Bank at Charleston ; and the President shall receive the same salary as heretofore ; and each of the Directors shall receive a salary from the Bank of one thousand dollars.

SEC. II. The new Board of Directors shall order and conduct the business and affairs of the Bank as heretofore, excepting that they shall make no new loans of money ; they shall reduce accordingly the number of salaried officers at the Bank and its branches ; and may substitute an agent, one or more, in place of the Branches, taking care to require ample security wherever funds are entrusted ; and giving such notice as they may think reasonable to such officers as may be dispensed with, to enable them to find other employments.

SEC. III. The Board of Directors shall collect the business paper, together with all bills of exchange, and they shall apply the same, together with the cash assets, stocks and other convertible property of the Bank, to meet the engagements of the Bank and of the State, as they may accrue ; and as to all

other debts due to the Bank, the Board are authorized to extend the time of payment to any debtor desiring it, to a term of years not exceeding ten ; provided ample security be taken for the payment of the debt and legal interest, (the interest annually,) and the principal by not less than equal instalments, in each year, of such extended term ; and in case such security be not given, the debt shall forthwith be collected in due course of law.

SEC. IV. The Board of Directors shall apply any funds which may remain in their hands, to the purchase and extinguishment of the foreign debt of the State, whenever the same may be had at or under par ; and if the same cannot be had, then they shall invest the said funds, for the time, upon the security of stocks of this State, and shall apply to the General Assembly for further directions in the premises.

“ Resolved, That the Governor be requested to employ an Agent to treat with the foreign creditors of the State, and ascertain upon what terms the foreign debt can be transferred home.”

The above Bill and Resolution were lost in the House of Representatives by 62 to 60, 13th December, 1849.

The following Resolution passed both Houses of the Legislature on the last day of the session, 19th December, 1849.

“ Resolved, That it is the duty of the Bank of the State of South Carolina, in view of the determination of this General Assembly, at its last session, that it was inexpedient to renew the charter of the said Bank, so to shape its policy, as to prepare for the approaching termination of said charter.”

Passed House of Representatives by 58 to 51.

SPEECH.

IN THE HOUSE OF REPRESENTATIVES.

The Bill "to provide for the approaching expiration of the Bank Charter," being under consideration, on 12th December, 1849, Mr. Cuninghame rose and said :

It was not my intention, Mr. Speaker, to have participated in this debate ; but poised on a just impartiality, to have listened, decided and voted. But so much irrelevant matter has been thrown into it by the discussion ; so many false issues raised ; the *true questions* so much perverted, in attempted distractions of the mind of the House, that I feel constrained to recall the attention of members to those questions, and to give the reasons for the vote, which my investigation and reflection have determined me to render. And here permit me to say, sir, that being disinclined to partisanship, upon what should only enlist a wise prudence, I can remind the House, that this is a question of State policy and high *statesmanship* ; and to be decided by calm deliberation and on great general principles. It is not one to be tested by party tactics or domination, or to be clouded by party feelings or passions. I rejoice, therefore, sir, that we have disposed of the "furbelows of fancy," exhausted the tragic of eloquence, vented the blustering of passion, and commenced to rise above the wiliness of sophistry.

At the last session of this Legislature, Mr. Speaker, I put upon the record my vote, "*that it was inexpedient to re-charter the Bank of the State,*" and connected with it a declaration, that this decision was neither calculated nor intended to impair the credit of the State, or violate its pledge of faith to our foreign creditors. I also voted against taking measures "to wind up its concerns during the period of its charter." Such were my opinions then ; and such honest consis-

tency, and strengthened convictions continue to make them now. And I came here, sir, with the earnest hope and confiding belief, that this decision of the *Legislature of the State*, would be a solemn settlement of the question of RE-CHARTER; and I assumed that the factionists of party, and the bank creatures of our will, would have so regarded it, and have conformed to its obligations. I expected therefore, that there would arise only questions as to *the time and mode* of winding up the affairs of the Bank, of disposing of its funds and discharging our debts. The determination of these alone is contemplated by the measure before us. But to my surprise, sir, this just expectation, sustained and enlarged by the tacit acquiescence of the people, and by general admissions even by the friends of the Bank, of the soundness of the policy of a "separation of Bank and State," has been disappointed and repelled. The arguments of the Bank party in this debate, of the President of the Bank in his Report, of the foreign creditors, and of the lawyers, whose opinions have been submitted, look to and urge the re-charter. The desperate struggle here exhibited, the nature and extent of the influence here brought to bear, the defying appeal of the Bank from our decision, on the ground of its alleged soundness, its utility, and its connection with the foreign creditors, all, all show that the Bank has determined to continue its existence, and maintain its supremacy. The question before us then, is evidently not *merely* one of interference with that institution, *before* the expiration of the charter. The great question of its re-charter is, therefore, involved in the issue and the measure before us. The great questions of BANK OR NO BANK, and of a SEPARATION OF BANK AND STATE, are again to be settled! The battle that decides them, is again to be fought—and to be lost or won, either here or in a new canvass before the people. I have, then, Mr. Speaker, no choice, but to take part against the Bank. Our decision is bearded—we must assert its authority. Our judgment is questioned—we must maintain its truth and value. Our policy is disparaged—we must vindicate its high correctness.

Entertaining this conception of the issue, I propose, Mr.

Speaker, to discuss, first, the general question of re-charter ; and then those questions which arise directly out of the measure before us. And here, sir, I must earnestly recall the attention of the House, to those great principles of finance, currency, and political purity, which enter into the policy of a *separation of Bank and State*, and which constitute the primary reasons, why we should dispose of and discontinue the Bank. The confused debate on minor or false issues, suggests and renders necessary this recall to the broad and true ones.

How impressive and forcible is the majesty, how axiomatic is the nature of the proposition, that the simplicity and integrity of our republican institutions, preclude the idea, and should the practice, of a State Government engaging in the *pursuit* of making money by banking ; subjecting its funds, which should be devoted to its maintenance or fostering supervision, to the casualties of Bank speculations ; funding a source of political and moneyed vitiation of its rulers, and domination over its people ; and entering as a stockjobber into the markets of worldly sordidness. Our noble Constitution in its silence as to the matter, clearly indicates that it was deemed as unnecessary to prohibit, as it would have been preposterous to authorize the practice. And that of the United States certainly contemplated its prohibition, when it denied to a State the right "to emit bills of credit ;" and of it, our operating through a Bank, is an unmanly and undutiful evasion !

Profound *principles of political economy*, require the State to get rid of this institution, *because it is a Bank*. Banks in this country are a complication in the worst form, of Banks of deposit, discount and circulation. Having the exclusive creation and control of the currency—of a mere flimsy paper medium, their history has shown them to be capable of infinite mischief and fearful powers. Having an almost illimitable privilege of *credit-lending*, through their bills—a credit not founded, in fact, directly upon specie, upon property, or upon a practicable reach of their resources by the hand of the legal tribunal, they run in a wild cycle of speculation and indebtedness. The fearful contractions and expansions

of currency and debt, into which their radical deficiencies and sordid tendencies alternately impel them, and which their history in this country, from Maine to Louisiana, has at periods illustrated by their bankruptcies, and by the wide ruin and distress, which they have scattered over our nation, render investments in banking unsafe and uncertain, their establishment dangerous and impolitic, and their practical working that of moneyed misrule. Human nature has not yet proven sufficiently honest, nor human sagacity sufficiently skilful to avert these results. The funds of a State should not therefore be subjected to the casualties of banking, nor should they enter into the elements of its mischiefs, or the sources of its oligarchial corruptions and power. It should at least be left to the watchful enterprise, the neutralizing competition, and the severest responsibilities of individual pursuit. The high duty of a State was to develop by discriminating Legislation, whatever in it was useful and invigorating, and to prune off, not participate in, its evils, errors and dangers.

Sound principles of banking, require us to dispose of *this bank*. Its chartered banking organization is radically defective—is contrary to every established principle and safe practice in banking. There is but one true, or rather tolerable, mode of banking, and that may be styled the *commercial*. That mode consists in *lending money or credit on short time and on securities immediately realizable in the currency market*. It is as important a principle, that the securities on which loans are made, should be as readily convertible into cash resources by the Bank, as that the bills and liabilities of the Bank should be convertible into specie. One secures the other. This is necessary to protect both the community and the Bank; to secure a sound currency to the one, and a sound condition to the other. It is equally indispensable, that this convertibility should be constantly recurring—that at short periods, both the soundness and safety of the Bank, of the currency, and of the mutual indebtedness of the community and Bank should be tested and secured. It protects against, it adapts itself to, those contractions and expansions of business and currency, which have been the curses of banking on the community. Any loans, therefore,

sir, made on bonds and mortgages of real estate ; on personal securities running to maturity at long periods, and even on pledges of stocks, which may be, and usually are, fluctuating in value or unsafe in basis—are dangerous to the Bank, not profitable as transactions, and vitiating to the currency. These assets or resources are not convertible at once into cash at par or certain values ; they cannot be relied on in sudden emergencies, and when relief should be given to a nation and its trade. So also, Mr. Speaker, while true credit is founded on property, as well as *cash* expectancy ; while bank bills and liabilities should therefore be based, not only on cash resources, as specie, but on the property of its stockholders ; yet it does not follow that banks should *invest* their means in property and unconvertible assets. The reverse is true practice, because the investment is not immediately realizable in cash facilities at par, whereby to meet cash liabilities. A Bank should not, therefore, be permitted by its charter to *invest* in real estate, personal property and insecure stocks.

Now, Mr. Speaker, I will shew that the Bank of the State is amenable to these objections, both in chartered organization, and business practice. Why, sir, its return of 30th November, 1849—a few days ago—show its cash liabilities to be \$1,552,000, and its cash resources only \$758,000 or one half.

1. It can lend *credit* (its bills or other notes) on bonds and mortgages of real estate or personal property at long time. This is authorized and contemplated by a provision of its charter ; (see 1 sec. 4 clause, Act 1812.) And what is worse, the present report of the Investigating Committee shows that it has made loans on bonds, &c., running from *one to five years*, many of which are frequently renewed, and have existed for years, and in some instances without payment up of interest. Its return shows that its loans *on bond*, amount to \$485,000. And what is still worse, that report gives the fact that even in this, it has violated its charter, by the customary practice of lending *on bond* more than \$2000, (the limit fixed by it) to different individuals.

2. It can and does lend *credit on long time*. This is autho-

rized by the Act of 1817, and is on notes running for a *year*, and renewable. These long loans peculiarly also tempt into indebtedness, and which is a leading evil in banking.

3. It can and does *invest* in real estate and stocks. This is authorized by its charter—Act 1812. Its present real estate amounts to \$109,000, and its investment in stocks to \$320,000, much of which fluctuates below par.

A leading object for establishing the Bank was undoubtedly pecuniary speculation. That reason for its continuance has ceased, as it is no longer a *profitable* concern.

Its banking means are :

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| Capital, (so called) | - | - | - | \$1,122,000 |
| Fire Loan Fund | - | - | - | 1,783,000 |
| Sinking Fund | - | - | - | 616,000 |
| Deposites, &c. | - | - | - | 579,000 |
| | | | | <hr/> |
| | | | | \$4,100,000 |

The amount of interest on this sum is \$287,000 ; yet the gross profits of the Bank, just returned, only amount to \$240,000, from which \$35,000 have to be deducted for losses. The argument can be illustrated in another form. Leave out from the banking means the Fire Loan Fund, and the Deposites ; and take only the funds that belong strictly to the State, to wit: old capital, sinking and current funds, and we have an average amount, at all returns of the Bank, of these of - - - - - \$1,750,000

Interest upon this sum is, say, - - - - - 122,000

Well, deduct from the Bank profits, all paid as interest on Fire Loan State debts, and all losses, and we have turned over to the State, as profits on its investment in this Bank, only \$103,000, or less than 6 per cent. For a number of years its annual profits have not exceeded, on an average, 6 per cent. In truth, there are now too much banking and bank capital, for the business to be profitable.

A leading and sound objection to the Bank is, that it can involve the State in excessive indebtedness. The faith of the State is pledged and involved for its liabilities. It can create them to the extent of double the amount of its capital, by express authority of its charter. Its present capital (see Comp. Rep. ex. No. 9) which includes Fire Loan, amounts

to \$2,900,000. It can therefore contract liabilities to the sum of \$5,800,000, and this over and above its present liabilities for sinking fund, and for deposits, which now are about \$1,200,000. That is to say, it can now involve the State for between one and a half and two millions more than its present liabilities, and when from its business and organization, it may be feared that it could not withstand a sudden pressure, and may be even now sustaining great losses. And it can contract this debt too, upon securities that may not be realizable at all, or only after long periods of distress, vexation, and delay to the Bank, the State and people.

I must confess, Mr. Speaker, to some objection to the administration—the direction of the Bank. It is too *numerous*—it is open to *too many*, who only seek the position, for the use of the funds for themselves and friends. It is startling, that thirteen men may and to some extent do, use *without limit as to the amount*, so much of the public funds. In this view, the benefitted are *too few*—and many are the instances of these few having been irresponsible men. The direction should be reduced in number, should be salaried, should be more select men, and should not be permitted, except to a very *limited extent, if at all*, to receive loans from the funds. But I will pass on.

Sound principles of political ethics, Mr. Speaker, require us to dispose of this Bank *as a political Institution*. As a *State Institution* it is literally a political one. It was founded too, as a mere financial and political speculation. The Legislature hoped to please the people, by substituting bank *profits* for *taxes*, as the revenue of the State. But yet so it is, the expenses of our government are met only from *taxation* still! And the history of this Bank has been coeval with the extravagant expenditures, and immense indebtedness of the State. But what I here mean, sir, is, that being a State Institution, and the selection of its administration a legislative election, it becomes the creature, and then the master of the legislative and political classes of men of the State. The friendships of constant association, the ready facilities of getting loans, the seduction of moneyed influences, and the

terrible and pervading mastery which the force of debt, thus contracted, exerts over the mind and feelings, even to the extent of reducing proud independence to the "bated breath and whispering humbleness"—all, all, form a mesh of ties and bonds, that fetter and pervert the wise conduct and action of people, bank and legislation. I charge not—I mean not corruption, sir. I mean those subtle influences which insensibly pervade, affect and control men, without either their defined knowledge or consent, as electricity does the material world. I will prove my position by general results and facts. Nine out of ten of informed and sensible men, (and their voice is that of the people,) will admit solemnly that the State on financial principles should not deal in banking—that republicanism requires there should be a separation of Bank and State, as of purse and sword; and that paramount principles of truth and policy require a change in this course of our State. Yet, sir, the *press* of our State, which should be, or is enlightened on these doctrines and facts, presents but one instance in which a voice is raised in defence of truth, and in warning of danger to financial integrity and constitutional purity. Yet, sir, even here in the halls of legislation, where the voice of the people should be spoken in legislative authority and influence, the power of the Bank struggles on equal terms with the power of the State, and arraigns its fiat of last session against its re-charter, with pertinacious pretension.

In its political influence, this Bank has also swerved the State from its true financial and political course, by seducing or constraining it into debt and extravagance. The statements and arguments of the distinguished Chairman of the Committee of Ways and Means, (Mr. MEMMINGER,) in his speech of last session, are on this point complete and conclusive. As that speech is on the table of members, I refer them to it—I have not time to give the exposition.

In conclusion on this head, I insist that this Bank should be disposed of, that its capital and funds may be applied to a complete discharge of the debts of the State. Debts are as dangerous, as vitiating, as crushing, as improper for a State as for individuals. We should also know our resources and

our condition. I will assume that the Bank is in an ordinarily fair condition—I have never questioned it. I seek not to pry into its secrets of debits and credits, or piddle with their details; but the interest alone which we pay on our debts, drawn from us and paid in form of Bank *profits*, is a canker upon our resources. If, as is said, the Bank funds can nearly or wholly meet the debts, let us gather them together, pay the debts, stop our banking, and resume a high position of independence and wisdom. The State debts amount to, say \$2,200,000

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|------------------------------------|-------------|
| The old capital of Bank, - - - - | \$1,122,000 |
| The sinking fund, - - - - - | 616,000 |
| Fire loan bonds in Charleston, - - | 707,000 |

If safe, as probable, amount to, - - \$2,445,000—2,445,000

And leave a balance in our favor of - - - - \$245,000

By so discharging the debts, too, the State can leave untouched, well invested and well used, her other resources, now employed in fostering noble enterprises and improvements, that will elevate and benefit her people. These resources are invested now, in various rail road enterprises, and amount to (\$1,300,000) one million, three hundred thousand dollars. The excess of the whole State resources over all the State debts, may include these investments, and leave an additional balance of over half a million, which may be similarly and advantageously employed.

I have now, Mr. Speaker, as succinctly and as clearly as I can, set forth those broad principles of public policy, and those general reasons and facts, which should determine the State not to re-charter the Bank. Permit me to add, they are conclusive, whether the Bank be sound or not, be well managed or not.

Look a moment to the reverse side. Does any one of those who support this Bank assume to urge that a State should have a Bank? Do or can they assert that the Constitution authorizes it? Do or can they assign a reason, founded in sound policy or principles, either financial, political, economical or moral, that a State should speculate in banking, or attempt to furnish a paper currency? Do or can they advo-

cate, that there can be a combination of money power and business, with governmental purity and simplicity? No, none. They concede the points, because they can present no maintainable issue, no facts, no principles. Yet they struggle for the continued and permanent existence of this Bank! Their effort means this, or it is the veriest folly. If the creation of a Bank was an original and fundamental error, if this Bank is not founded on just principles, and should not be had by the State, I ask the question, why should it not be terminated? It is in vain to say that its soundness is a reason against its termination. That condition only removes what might be another and conclusive objection to the Bank. But can you say *it is sound*, before its assets are collected? The soundness rests only in the probability of those assets being realized in the course of time, and their equalling its liabilities. We may not be able to say that it is unsound, but that inability does not prove that it is sound. Many, very many, on general, as well as specific reasons, believe it to be badly conducted, to be unprofitable, to be unable to meet the emergency of a sudden liquidation, to have many and large bad debts, and to be inevitably destined to subject the State to losses, when its final balance is struck. But if the Bank should be terminated with its present charter, are we not bound *now* to prepare for that termination? I call for a satisfactory answer—an answer worthy of legislators, and the State, to this question. Besides the assertion of its soundness, the only other answer attempted to be made, is, that the faith of the State requires its re-charter, and also its present complete impunity of conduct. I will show the unreasonable pretensions of this pretext. If it also is vain, as it is, then I repeat that no conceivable view of State policy or advantage, justifies a refusal to dispose of this Bank. The burden properly rests upon its advocates, to present paramount considerations for the existence and continuation of this mammoth institution, which, *at least possesses* the power and means for infinite mischief to the State and people.

I come now, sir, to the second general head of my argument—the discussion of the *nature*, the *object*, and *effect* of the measure before us. Not informed as to these, I came here

disinclined to it. I came pre-determined against any interference with the Bank, that would amount to any *liquidation*, or what is called "a winding up" of the Bank, before the expiration of its charter. Such liquidation, or *termination of the Bank*, I deemed would be unjust to the institution, to its debtors and creditors, and particularly a breach of faith with the foreign creditor. But this Bill does not amount to such liquidation, in its prohibition of any "new loans." What is liquidation? It would consist in requiring all the bills in circulation *peremptorily* and at *once* to be called in, paid and cancelled; in requiring depositors to remove the deposits; in requiring all *debtors*, either by note, bond or pledge of stock to pay up forthwith their dues, and all *creditors* to render and receive their demands; and in terminating the Bank as a corporation, and thus cutting off from against it, the *power of suit*. The Bill requires none of these.

On the other hand, the Bill continues, and preserves the institution, both as *corporation* and as a *bank*, until 1860—for ten years.

It thus preserves against it, the power of suit, and the consequent value and efficiency of the pledge of it, as a security to our creditors, by keeping within the reach of the courts in their favor, its *fund* and the *profits* of those funds. It leaves it as a BANK. Banks are of three kinds, of deposit, of discount, and of issue; of which this one is a combination and complication.

It leaves it to retain and receive deposits; and to use them by discharging obligations, until called for.

It does not call in its *bills*, but leaves them out in circulation as *issues*. They are only to be redeemed when brought in, and may be again paid out in discharge of other debts.

It leaves it to *discount renewals of accommodation paper*; that is, taking new notes on short time, in place of the old ones, and receiving a small per cent of the debt. Of course it cannot make advances, or "*new loans* on business or accommodation paper.

It is evident then to any one understanding the principle of banking, that the institution, retaining, under the bill, this power and business, is still a bank in name and fact. The

argument, therefore, that the Bill destroys it as a Bank, and takes away its *liabilities* as a corporation, and thus violates the faith of the State, to our creditors, is futile, both in statesmanship, law and honor. Yes, Mr. Speaker, I will show, before I close my argument, that this pretension of our foreign creditors, that we are bound to re-charter the Bank, as a matter of faith and pledge to them, is utterly without foundation in the principles of law or justice, and is but a Shylock demand for "the pound of flesh," without the excuse of having the "right in the bond."

The Bill also leaves the Bank, in fact, authorizes it, to *invest* in (not loan upon) *bonds*, by exchanging notes, and other securities of debt, into bonds, if the parties will. This is but in the nature of much of its past business under its charter. These bonds are to be payable in ten annual instalments, but to be well secured. This provision extends the charter of the Bank *four* years beyond the time of its expiration, as now limited, and *two* years beyond the time when the greater portion of our debt has to be paid. It also provides for the payment of that portion, and even for the remainder, by the Bank, if the foreign creditor will accept his money at par, or on any reasonable terms. The extension of the payment of all debts, if funded into bonds, over a period of ten years, is, in fact, a generous relief law to all debtors who may need forbearance. Who then has the right to complain of the Bill?

The Bill too, continues the Bank, as it is now, *as a fiscal agent*; not only to receive and disburse the State revenue, but to manage its own resources, make *profits* upon them, and apply both in proper times and manner to the *State debt*.

I have now, Mr. Speaker, in answer to contrary allegations, pointed out what the measure before us *does not do—what it does not work*. In illustrating its nature, I shall now proceed to set forth what it does do—what its object.

The measure only changes the *conduct* of the Bank, alters its *investments*, and provides against new and additional *liabilities* on its part, and through it, on the part of the State. These three results are necessary to the termination of the institution at the expiration of the charter at the time fixed. They do not amount to liquidation, but constitute a proper

preparation for it at that period. If the operations of the Bank continue in manner and kind as now, until the charter expires, we will have to re-charter it for a term, if only for the purpose of "winding it up." The true object of this Bill is to preclude such, or any re-charter, by commencing the first needful work *now*; and to secure a sufficient length of time, without however unnecessary postponement, to do that work *well* and *safely*. Let gentlemen recur to the history and unhappy management of the termination of the United States Bank. When Mr. CALHOUN urged that time and preparation should be used, whereby to "unbank the bank," he gave the true lessons of experience and wisdom. The refusal to adopt his proposition, and the abrupt termination of its affairs with its charter, resulted in the loss of nearly all its assets and funds. The blaze of popular passion swept as a whirlwind over the fabric, and in a moment it was a mass of consumed and blackened ruins, and thousands became the impoverished victims of the conflagration. It was the case of a debtor suddenly sold out in "hard times"—*his property was sacrificed*. I warn gentlemen against giving this history and fate to this Bank, and its beneficiaries. I tell them that the popular mind has fixed its doom—let them not blow this determination into the fierce flame of party excitement and passion. We are bound to protect, as to terminate the Bank; to preserve its funds, as to pay the debts; and to cherish and soften "its decline," as to soothe the weeping of its sorrowing friends.

The Bill provides for four directors, with a salary of a thousand dollars each, in the place of twelve, with unlimited loans. The reasons for this change in the conduct of the Bank, have been touched upon by me, but more fully set forth by others. It requires, too, a reduction of the number of salaried officers, and the employment of agents instead of the branches. This is to effect a considerable reduction of expenses.

The Bill also alters the *investments*. It provides that "the Board of Directors shall collect the business paper, together with all bills of exchange, and they shall apply the same, together with the cash assets, stocks, and other convertible

property of the Bank, to meet the engagements of the Bank and of the State as they may accrue." That is, that the Bank shall apply its cash resources to its cash liabilities, inclusive of interest on our debts. It also provides that, "as to all other debts due to the Bank, the Board are authorized to extend the time of payment to any debtor desiring it, to a term of years not exceeding ten; provided ample security be taken for the payment of the debt and legal interest, (the interest annually,) and the principal by not less than equal instalments, in each year of such extended term"; and also if there be unapplied funds on hand, that "they shall invest the said funds, for the time, upon the security of stocks of this State."* That is, that the main funds of the Bank should continue, over a period of ten years, invested and bearing *interest*—making *profit*. That is, that they shall be applied (both funds and profit) as promised, to the payment of all our debts, as the 4th section afterwards directs. Yet gentlemen tell us, that we are taking away the security of the creditor!

The Bill also provides against further *liabilities* by the Bank, and consequently the State. This is the grand merit, with me. It secures against further or any *unsoundness*, if any exist; it secures against further *indebtedness*, which is already sufficient and exhausting; it stops the particular banking operation, that has in it most of danger and falsity. It works the State and people no mischiefs, but cuts off all those of either a financial or political nature. It is the grand remedy for the disease or evils of the Bank, its operations and its influence. It deprives us of no necessary accommodations or facilities; for these of equal goodness are hawked in superabundance among us, by other banks and capitalists.

I have now shown, Mr. Speaker, the nature, objects and some results of the Bill. Before proceeding to consider its effects on the business of the State and the Bank, I will discuss the matter of its alleged breach of the faith of the State to our foreign creditors. It is urged by the Bank and its friends, that the faith of the State precludes any liquidation

*Mr. Richardson, in his speech next day, assumed the palpable error, that the investments were to be also in stocks of other States; argued that they should not be stocks of free-soil States, because they are opposed to slavery, nor in stocks of slave States, because their stocks were not valuable or reliable.

or destruction of the Bank, before the expiration of its charter in May, 1856 ; and that it binds our sovereign justice and honor, to *re-charter it* until 1870, the period of the last instalment of a State debt. I have pre-shewn that the measure before us, being neither a liquidation nor destruction of the Bank in its corporate capacity, nor a change of the contract by a withdrawal or misapplication of its funds and profits, is not amenable to the first allegation.

Does the faith of the State require the Legislature to *re-charter* the Bank ? This seems to be the hinge of the bank argument—this the citadel of the last of its strongholds. The solution of this grand question will depend simply upon, what was the contract with our creditors, both in its *letter* and its *spirit* ? I will shew, Sir, that this argument is unsustainable by either—that it is the veriest specimen of a foisted illusion and an attempted humbug. It does not even amount to a technicality—but is “the baseless fabric of a vision” of technicality. But we can oppose to it technicality too—we have demonstrated, that the institution remains a Bank, not only substantially, but *technically* ; that this Bill retains it so, not only until 1856, but by extension, until 1860 ; that its *funds* continue to make, at least, the usual *profits* ; and that the security of these funds and profits (which are pledged) is still enforceable in the Courts, as long as it exists by contract—that is, till the expiration of the charter in 1856.*

* Some speakers (as Mr. Black, of the Senate,) insisted upon the difference between Bank *profits* on its funds, and the *interest* merely that would accrue from these funds, if simply loaned out ; and upon the importance of this difference to the creditors, who had the pledge of those profits, *co nomine*. It has been shewn, as a matter of *fact*, that the profits of the Bank have not equalled interest, by *one per cent.*, and that therefore the creditors would be benefitted by the proposed changes. This answer being conclusive, any further reply is unnecessary. But those gentlemen speculated on the theory of banking profits, and urged, that as a bank might lend to the extent of two or three times its capital, it might make far more than mere interest. If there was but *one* Bank, and that not too large for the business required to be done, this might be true. But there being an excessive abundance of bank capital and business, other than the Bank of the State, and there being of course a *limit* to operations, in the extent of trade and currency themselves, this presumed result does not and cannot accrue to that Bank. Beside this fact, those gentlemen also forget, that the great expenses of a banking concern, must be deducted from profits ; that losses, which bear a proportion to the loans, must be de-

This renders the application to this period, of the argument of my friend from Charleston, who has just taken his seat, as baseless as his "vision" of the teehnicality.

But what was the contract? It has exclusive reference to the Fire Loan Debt;—to the bonds held for that loan. These are payable (interest annually):

| | | | | | |
|-------------------------|---|---|---|---|--------------|
| In 1858, in London, | - | - | - | - | \$486,666 67 |
| In 1868, in do. | - | - | - | - | 488,888 88 |
| In 1860, in Charleston, | - | - | - | - | 482,922 20 |
| In 1870, in do. | - | - | - | - | 325,808 90 |

\$1,785,286 65

The two first constitute our foreign debt. All other debts, which are small, will be discharged in fifteen months, except it may be two (Rail Road Capital Debt and Revolutionary Debt,) amounting to only \$120,000.

1. By the 1st Section of the Act authorizing the issue of the State Bonds for the Fire Loan, "the faith and funds of the State are pledged to secure the punctual payment of the said bonds or contracts, with the interest thereon."

This evidently does not involve the Bank—but only what is left of it—only its surplus funds after liquidation.

2. The 10th Section makes it "the duty of the President and Directors of the Bank, to make proper provision for the punctual payment of the interest, and for the ultimate payment of the principal."

Now be it specially remarked, that these officers and their Bank had in law no contemplated actual existence after 1856. The Fire loan creditors knew it—the charter was laid before them. They did not even *offer* to stipulate for a re-charter. They then, as it were by indirect expression, took the security of the agency of the Bank, and of its medium to reach

ducted; and that the danger of bankruptcy, from inordinate liabilities (which are also proportionate to the loans) constantly restrains operations, and of course, the accrual of bank interest or profits. The Bank of the State, beyond all question, every nerve to make profits, and its loans and investments, bringing in profits, greatly exceed its actual banking capital. Yet so it is, its nett profits do not amount to over 6 per cent., and cannot with any reasonable safety to the institution, be made to exceed that rate.

its funds (the pledge of which is otherwise another matter, and extrinsic to any bank existence) only for the term of its limited existence—until 1856. Be it also remarked that this section requires only *provision* for payment, and not the *existence* of the payer, or the act of payment by him. A debtor can make provision for payment after his death.

3. By the 11th Section, “the President and Directors are required to keep an account of the profits to arise from this loan; and these profits are pledged for the payment of the interest and principal of the loan.”

The agency of these officers in keeping an account of the profits could of course not extend beyond the term of their office—1856. But is it not perceived, and it will appear by an examination of the section, that the pledge of the profits is not connected with, and is extrinsic to, any agency or existence of the Bank and its officers.

4. By the 12th Section, “it is provided, that when the profits of the bank shall have paid the public debt, both principal and interest, *for which they are already pledged*, the *said profits* shall also be considered pledged for payment of the interest and principal of said loan.”

That is to say, that if the other public debt be paid off before the expiration of the charter, the other profits of the bank shall, during its term, be applied to the interest and principal of the Fire Loan debt.

The negotiator of the loan, (Gen. McDuffie,) “put forward the liability, the responsibility and agency of the bank,” in making the contract. I use the very language of Baring, Brothers & Co. This was all—he said, and urged nothing as to a re-charter, or its just expectancy. Then his representation applied only to its chartered term.

This is the contract—this the pledge—these the terms of faith. It is evident that their *letter* does not require the State to *re-charter* the bank. Now does their *spirit* require it.

I will discuss this question under two heads; first, the legal *substance*—the true intent and result of the contract; second, “the point of honor,” which has so subserved gentlemen in sublimation of argument and tinsel of eloquence.

On the first head, the arguments of members and the dis-

tinguished counsel, whose opinions have been laid before us, are two-fold. They are based on an *implication* of law that we are bound to recharter, and with great deference, I confidently say, that they are "without shadow of foundation." And I will here state the clear and admitted proposition that the Legislature of 1838 (which directed the Fire Loan) had no power or right to bind a succeeding Legislature to recharter the bank. Any express or implied attempt to do so, was, or would have been a fraud upon the State.

1. It is urged that by the Act of 1838, "the duty of paying the interest and principal of a loan to be effected by the State, was devolved on the bank; that it may be considered that the Legislature authorized the Bank to contract a loan, payable by their successors in 1858 and 1868; and that by granting this authority, the Legislature *virtually* extended the charter to the year 1868."

My dissection of the contract has already shewn, that neither the premise nor the conclusions have any truth. The payment of the debt *was not devolved* upon the Bank. The Bank was not a contractor of the loan, but only the agent for effecting it. Nor did the Bank, by authority make any contract with the creditors. This first point palpably failing, all fails. The case of the Bank of Charleston does not apply. That was upon a point between the Bank and the State, and not as to any obligation to, or right of a *third* party. The point there was, whether the Charter would be held to be forfeited by a previous act, when the Legislature had recognized its existence, and continuation, after that act. In that case, the Legislature had surrendered its *claim*; in this case, there are no *rights* as to the Bank, to be forfeited, and *no claim* to be surrendered, and on neither side, of course, any resulting obligation to the State on the one hand, or to the Bank, or to a *third* party on the other.

2. It is urged "that the creation of the corporate body, may arise by implication from powers granted, and of course, an extension of charter; and that if this were a private bank, scarcely a doubt could be entertained of the effect of the Act of 1838, in extending the duration of the charter."

Here again the premise is false. No powers that involved, or depended upon an extension of the charter have been granted. And, even if this were a private Bank, could not its Stockholders refuse an extension of the charter, refuse to carry on banking operations, refuse the exercise of all corporate functions; and could it be coerced into making profits, using funds, or playing agent? Why cannot the State, then, standing in its banking character, also refuse these fictitious liabilities and existence? The argument has nothing in it; no application.

Yet, on these grounds, it is contended, that as an obligation could be enforced by the Courts against, or in favor of a private Bank, that State faith is bound by it, although the State cannot be sued. The first part is untenable, and even if true, the second not a truthful consequence. But, in truth, this is a question above legal subtleties. It is to be settled by the great principles that enter into matters between nation and nation, and man and man, and which are determinable by substance more than form. It is a question between a sovereign State, bound to look to the correctness of its internal policy and integrity, and a creditor, whom it is able and willing to pay. Suppose, sir, that the report of the Investigating Committee made it appear that this Bank was utterly unsound, and running to ruin, would not necessity and policy justify our interference, both on our and our creditor's account? Would not faith be the other way than the one alleged? If justifiable in one instance, why not interference in the Bank affairs, or a refusal to re-charter, where high State reasons of finance and policy require them; and that, too, where there are on our part, as the creditors expressly admit, an ability and readiness to pay them?

But as to the *substance* of the contract in another view. What has South Carolina undertaken to do? Why simply to pay a debt which she has contracted. The only true point of faith or honor involved, is that which is involved in a mere money obligation. She is bound to provide the means, and apply them at the promised times. Is she not able, and does she not propose to do so! Her resources far exceed her liabilities. See Comptroller's Report—

| | | | | | | | |
|---|---|---|---|---|---|---|-------------|
| State debt is | - | - | - | - | - | - | \$2,210,000 |
| Balance against Bank in cash liabilities, | - | - | - | - | - | - | 794,000 |
| <hr/> | | | | | | | |
| Whole debt to be met, | - | - | - | - | - | - | \$3,004,000 |
| State resources, | - | - | - | - | - | - | 4,904,000 |

Balance of resources in favor of State, - \$1,900,000

And this is the balance in our favor, even after discharging the very fire loan debts, as to which this ephemeral and ideal argument is urged! The bill too expressly provides for the payment. "The Board of Directors shall apply any funds which may remain in their hands, to the purchase and extinguishment of the foreign debt of the State, whenever the same may be had at or under par." The resolution connected with it, provides also to send an agent abroad to negotiate the terms of this application. The bill so arranges the affairs of the Bank, that all its *funds* and *profits*, (which are pledged) shall as they come in, be applied strictly, and at once, to our foreign debt. This secures the punctual payment of both *principal* and *interest*, either at or before the time they fall due. Does not all this keep our faith and maintain our honor? It is urged, and we will admit that the Bank will have remaining over and above its own debts and losses, the following assets:

| | | | | | | | |
|--------------------------------|---|---|---|---|---|---|-------------|
| Capital, (so called) | - | - | - | - | - | - | \$1,122,000 |
| Sinking Fund, | - | - | - | - | - | - | 616,000 |
| Fire Loan Bonds in Charleston, | - | - | - | - | - | - | 707,000 |

\$2,445,000

Foreign Debt, payable in Lon-

don, 1858, - - - - \$486,000

Foreign debt, payable in Lon-

don, 1868 - - - - 488,000—974,000

\$1,471,000

This balance to be applied to remaining portion of Fire Loan Debt, which is \$810,000, due here at home, and then also to any other debt. Be it here observed, too, that the Bill continues the Bank until but one instalment of the for-

eign, and one of the home debt, remains unpaid; and for the payment of these we arrange to tender the money. The foreign debt will then be but an insignificant sum of £100,000, with an annual interest of £5000. This we can readily, as shewn, pay when it falls due, and we offer and are able to pay it *before* it falls due. Yet the Barings and Bates, and it seems to be at the instance of the Bank, (see letters to them of President,) put up a claim that our faith requires us to re-charter the Bank for this, as between them and the State of South Carolina, pitiful matter! They certainly do not understand the position of things. They are, and certainly would be above, such contemptible specialities. But if not, then it is, as I have shewn it to be, but a Shylock-demand for "the pound of flesh," a demand in the face of offered payment, and that without its being "in the bond"—in either the *letter* or the *spirit* of the contract.

Gentlemen deal in extravagant and phrensied strains about our honor! Why, what is honor, a thing, or *name*! If this were a matter of feeling, or an evolvment of sentiment, it might be admirable for gentlemen to soar into the regions of transcendentalism. But this is the honor of dollars and cents, of business, of State policy, of strict, stern, substantial justice to *both* parties. And *their* honor of this matter, is all of one side. It is a poor compliment to the Barings, to make their's, that of the relentless creditor. In truth, Mr. Speaker, there may be garishness in honor, as bombast in chivalry. Let not South-Carolina have the reputation of both!

In conclusion, I will briefly discuss the immediate *effects* of the measure before us. The Bank is *required* to gather together and apply forthwith its *cash* resources. With the exception of this, the effects are problematical, and what they will be, are now mere matters of opinion. The *cash* liabilities, which include deposits, bills in circulation not lost, debts to other banks, and so forth,

| | | | | |
|------------------------|---|---|---|-------------|
| Amount to about | - | - | - | \$1,552,000 |
| Cash resources, | - | - | - | 758,000 |
| | | | | <hr/> |
| Balancee against Bank, | - | - | | 794,000 |

This balance can be met from other readily available resources, which amount to \$1,908,000. These are,

| | | | | | | |
|----------------------------|---|---|---|---|---|-------------------|
| Notes discounted, | - | - | - | - | - | \$1,261,000 |
| Loans on pledge of Stocks, | - | - | - | - | - | 110,000 |
| Investments in Stocks, | - | - | - | - | - | 320,000 |
| Suspended Debt, &c., | - | - | - | - | - | 217,000 |
| | | | | | | <hr/> \$1,908,000 |

Much of these resources, or *debts to her*, will not be funded in bonds under this bill, because many debtors (good business men) rather than consent to pay interest at 7 per cent. for so long a period as indicated by it, will pay up in whole or part.

Deposites may be the first to be paid. They amount to \$579,000. These the cash resources can at once meet, and leave a considerable balance. But as they will be as safe under the measure as now, and no more wanted than now, there is no practical reason for their being demanded to be paid, except slowly, as they may be required by the community. The reduction or discharge of them, will then probably extend over a period of a few years.

The unlost *bills in circulation*, it is urged, will be at once returned upon the Bank. They amount by computation to over \$700,000. But they are scattered over the whole South, and if they return, they will probably do so, at the earliest, only in the due course of trade. This will take a year. But why should they return? Is not the bank good? Are they not entitled to priority of payment? Is not the State answerable for them? Is not all this known? Are they not valuable, and required for use, in circulation? The argument is a fictitious apprehension. It is met too by the fact, that the bills of the United States Bank did not return in years, and at last had to be preëmptorily called in. But it is urged, that the bills will in the course of trade, concentrate at the points of trade (the towns,) get into the hands of other banks, and by them be returned against our bank for specie. But is it not more probable, that where, as at these points, specie demands are made, that banks will pay out these bills on discounts instead of their own, and send off their own to a distance? This will be the same as drawing specie, and

they make in addition thereby two discounts, instead of one ; that is, at home with these bills, and for distant points with their own. The constantly increasing means of the bank will enable it, even if they be presented for specie, to meet the demands with the bills of other banks or with specie. But I have also shewn that there is no probability of any thing more than a slow and distant concentration of them at the counters of any bank. But what at last is this argument, that is urged for the bank. It will be equally good against any termination of the bank, as now against this bill. Does it amount to a sufficient reason for re-charter of this improper Institution ? Is it not a trifle to our trade, already over-supplied with bank capital and paper money ? Is it not a trifle to the State, having abundant resources to meet the contingency, however urgent ? Is it not a trifle in comparison with those great reasons of State policy, which require a disposal of this Institution ? Is the meeting, or the passing through, a slight momentary difficulty to be made a reason to deter us from our high duty ? Away with the bugbear.

Mr. Speaker, I have done. I close, with a vista of the scene in my mind's eye, when South Carolina will stand neither as a suppliant debtor nor frowning creditor ; when she is no longer a speculator and stockjobber, with skirts polluted in the shambles of the market, and when, in accordance with her high mission and duty, she, in unsullied robes of sovereignty, simply receives and disburses her revenue, in administering, in republican dignity and simplicity, her Government for the happiness, protection and prosperity of her people.

IN THE LEGISLATURE OF SOUTH CAROLINA.

House of Representatives, }
November, 1846. }

At the last annual Session of this Legislature, the following Resolutions were passed by the House of Representatives :

“*Resolved*, That Messrs. Cuninghame, Memminger and Boykin, be appointed a Committee to inquire and report upon the policy and propriety of limiting the issue of bills or promissory notes, payable to order or bearer, by any Bank or Corporate Body in the State, to the denominations or amounts of twenty, fifty and one hundred dollars or upwards.”

“*Resolved further*, That such Committee report to the next annual Session of this Legislature, and by bill or otherwise.”

In conformity with the instructions of these Resolutions, your Committee respectfully submit the following

REPORT :

They have considered with a due solicitude and effort, to arrive at intelligent and practical conclusions, the subject-matter referred to them, and which involves a profound and complicated inquiry. It is one that is co-extensive with the whole range of banking, currency and commerce, and from its importance, should command the earnest attention, as well as needs the varied and general inquiry of the State and Nation. It concerns every individual and class ; and every community desirous of the progress of truth, civilization and its rightful interests, should bring to its investigation and settlement, all its experience, information and reflection. The light from the past, and their own view, have clearly shown to your Committee the policy and propriety of some such change or reform, as is suggested by the resolutions. The banking system of this country needs being simplified and restricted, trade greater steadiness and security, and the currency a radical change, a purer nature and higher standard. The great discussion that ensued from opposition to the United

States Bank, as a source of vast commercial and political evils: from an investigation of the proposed substitute (a number of private or State Banks,) a still more dangerous organization; and from the well considered scheme (called the Sub-Treasury) of freeing the Government from banks and banking, and obtaining a truer medium for its fiscal operations, produced a general inquiry, and diffused considerable information as to banking and currency, and which the statesman and economist might well have hoped and expected to have resulted in a thorough and much needed reformation of both. The advancing experience of commerce and legislation has tended in the same direction, and has demonstrated that there lay at the basis of both in the United States, and other portions of the civilized world, radical and inherent errors and evils, which produce injurious and deranging results in the social and trading, as well as fiscal and political relations. But ignorance and custom, which in all times have bent even the most high-spirited and truth-loving natures to a submission to "the existing order" and "the powers that be," soon relapsed from the keen inquiry of party excitement into their own indifference, and left honest intelligence no stimulant to investigation and progress; the intelligent sharper to the wide field of fraudulent profit and debasing principles under legal guises, and all classes to corporate thralldom, fluctuating, trade, unsound currency and fiscal corruption. The discussion should be revived, the errors and evils removed, and a great reform consummated.

The Resolutions evidently suggest two leading questions:

1st. The policy and propriety of a decisive change in the nature (*i. e.* the quantity and quality) of our currency.

2d. In the nature, extent and influence of the banking system and business.

It is well known that our currency is composed, exclusively, it may be said, of paper money; that this paper money is but the promissory note, as low as one dollar, of Banks and Corporations; that these, with their peculiar powers and privileges are put on foot for limited, but successive periods, by legislative authority, and are, or should be, its creatures; and that they create and control the money of the country,

and have, in these respects, monopolized the greatest and most varied business and power. Although the coins constitute capital and wealth, it is well established, and should be well understood, that *paper money* does not. It consists merely of *promises to pay* that which is capital—is merely the evidence of debt. Nor does paper money create capital or wealth. The note of a Bank is like that of an individual, and cannot make land, gold or silver, breadstuffs or materials of clothing, which substantial things, or the like, are alone capital and wealth, and administer to the real wants and comfort of mankind. On the other hand gold and silver constitute capital and wealth, not only because they are useful in the arts and sciences, but because they alone, possess all those varied and peculiar qualities, which fit them to be, and which, in all ages and countries, have made them the circulating medium—the money—the currency of the world. They therefore of themselves possess *value*, and throughout the trading world, are the measure, (the only one,) or standard of value; and, as a sequence, *the only true and reliable medium of exchange*. It is also to be understood that by exchange or trade is here meant that transfer or sale of what one nation or individual makes for what others make, according to their wants and facilities, and money is the medium through which it is most easily effected. Coin has intrinsic *value*, but paper money is at the utmost but the *representative* of value, and bank notes circulate as money, when notes of individuals do not, simply because their source is more generally known, and that custom has given them facility and credit.

If the whole field of discussion was familiar to all, and somewhat exhausted, and the service of your Committee but the vehicle to present and sufficient action, your Committee would not have entered into this particular enumeration of almost axiomatic propositions, or into the extended argument and illustrations, deemed necessary. But they feel that they are but opening the way to a wide arena of future investigation, and they would therefore make it as broad and solid as the great issues demand.

They would but passingly, however, allude to the manifold evils and dangers thought to result from Corporations, the

power and influence of which over the religious, pecuniary and political relations of society, have frequently alarmed prudence, bearded power, and defied opinion. While it is admitted that they have done some good, and aided progress, yet it is felt that they should be limited in their capacities and governed in their tendencies. Combining the great *powers of money and association*, their capacity is sufficient, if not curbed, to dominate over and live upon mankind; and their tendency, as history has shewn, is to consummate this fearful rule and advantage.

For what *use* have we money? It may be said, for the purpose of this discussion, to be threefold: first, to effect the purchase and sale of the produce and supplies of the country within its limits; second, to effect an interchange of the products of our nation for those of other nations, and pay the balances; and third, to be lent to those who want it for operations that require time to return their proceeds for re-payment. At present, the first end is effected mainly by paper money—bank bills; the second by bills of exchange, and imports and exports of coin; and the third by simply transferring whatever is used as money to the party who wants it; and this upon *credit*, the nature and influence of which should be well understood.

These three objects legitimately conducted within proper limits and time, require comparatively little money. Its prompt and right transfer from hand to hand consummates all real business, however large, in a short and easy manner, and readily discharges those varied but small balances, between either nations or individuals, which natural trade and healthy credit, leave, as general results, only to be settled. Trade between nations amounts to *hundreds* of millions, while the money that effects it does not even to *tens*. The same thing and proportion hold among individuals. The supply of gold and silver is amply sufficient to serve as money for the world. The vast quantity of them used, not only for other purposes, as in the arts, but to such extent in articles of mere luxury and display, as watches, spoons, plate, and so forth, as that almost any one can buy them, abundantly proves the proposition. The *coinage* of Europe alone is estimated to amount

to two thousand millions of dollars (2,000,000,000.) The present stock of coin of the world is estimated at (\$12,000,000,000,) twelve thousand millions, or twelve dollars per head to every inhabitant of the earth; and the annual average coinage of late at one hundred millions of dollars. As coins are sometimes re-coined, these estimates must be over the actual amount of bullion used now for money. Paper money is comparatively but little used, except in the United States and Great Britain; and even in England the smallest current bill permitted is the £5 note,—which is a little less than \$25. Coins then, even now, almost wholly serve the world for money, and their supply is rapidly increasing. It has been estimated by both European and American Statesmen, that for an agricultural nation like Russia, a circulation amounting to about \$5 per head for every inhabitant, was sufficient; for a commercial one, like England, about \$16 per head, and for one partaking of both pursuits, a sum intermediate. The United States is of the latter character, but mostly agricultural, and it may be assumed that \$10 per capita would be sufficient for her, or about two hundred millions of dollars. But her entire circulation last year (which was rather contracted) did not exceed (both paper and coin) a hundred and fifty millions, (\$150,000,000,) or \$7 1-2 per head. Her mints have already coined more than this sum of gold and silver, much of which now lies in Bank vaults, some is in circulation, and much shipped abroad, and her coinage now varies from twenty to one dollar gold pieces, and from one dollar to five cents silver pieces. If necessary, millions more, brought into the nation by demand, would be coined in a very short time. Considering the comparatively immense productions and trade of the United States, she could readily command of the coinage of the world three or four times the amount necessary for currency, and so of any of the States. It should also be here considered, that a greater or smaller amount would be necessary, as the nominal *prices* were greater or less. Under an entire paper currency, prices usually are either artificially high, when more money is required than would be under a sound and steady currency, or low, when all the effects of a scarcity of money

are felt. This fluctuating condition is of great injury to the United States, inasmuch as their people either buy at home under a paper medium at *high prices*, and sell abroad at a specie standard, or *lower prices*, or they are prostrated by the undue reduction of the value or price of their property and of the products of their industry, produced by a contraction of the currency. But it is immaterial whether prices are high or low, so that what we buy and sell is by the *same standard*, which would conform to the laws and amount of specie. Your committee have been thus particular in urging the ample sufficiency of gold and silver for the currency of the world, and that we at least can command them to any desired extent, in order to remove a common and fatal error of the unthinking and uninformed in this country.

It may now be inquired, how gold and silver, which must take the place of the excluded Bank bills, are to be obtained, and by what laws they are governed. It is not to be questioned, that they obtain their value and circulation by the same laws of supply and demand, which regulate the value and distribution of all other commodities; that commerce effects their dissemination, and applies those laws; and that specie tends to a general level of currencies throughout the trading world. The lowest denomination of bank bills is fixed by the resolutions at twenty dollars, that the coins of the world, being in less sums, may flow in and serve as currency, where money in quantities under that denomination is wanted. The moment small bank notes are withdrawn from circulation as money, there springs up an urgent demand for money of their denominations, and gold and silver of corresponding amounts flow in from all quarters of the earth where we have commerce and sell the productions of our industry, and become diffused throughout every quarter of the State, in purchase of cotton, rice and other produce. That their nominal values may be more familiar, our mints forthwith convert them into American coin. The supply thus obtained furnishes a currency abundant, steady and reliable. Has not experience taught the most ignorant and unobserving, that an entire paper currency, created and governed by banks, as may suit their interests or be required

by their necessities, is either in too great or scarce quantities, for a healthy and natural trade, and thus controls injuriously the value of the property and profits of the country? Has it not taught the necessity of another source and supply of money in times of scarcity, which source is trade, and which supply is coin; and that in times of undue abundance of bank paper, there must be a check to its depreciation and a means of its redemption, such as coin alone can or does afford? Currency is properly one of the elements of trade only, and its great end is to effect or facilitate it. It is the oil to the machinery. Coin, the creature of trade, is regulated by it to the exactest quantities and value needed, as gravitation regulates the flow and level of water, and therefore its fluctuations as currency are easy, not unexpected, and of course seldom injurious or oppressive to a whole people, or an extended commerce.

It will now be perceived that the effect upon our currency of the policy suggested by the Resolutions, will be to purify our present circulation by a large infusion of gold and silver, in substitution of a spurious and dangerous portion of paper money; to render it in the whole ever steady and healthy by those qualities and laws that belong to coin, and to thereby enable trade to conduct itself in an easy and regular manner, and commerce, not corporations, to regulate the currency.

But let us turn to the probable effects upon the business and issues of banks. Banks are of three distinct kinds, to wit: of deposit, of discount, and of circulation. A *bank of deposit*, is an institution established solely for the safe keeping of the coin and bullion of individuals, which are transferable on its books, or drawn out by drafts or checks. A *bank of discount*, is an institution that lends *moneyed capital* to individuals by discounting acceptances and promissory notes. It also receives on deposit. A *BANK OF CIRCULATION*, is an institution that lends *credit*, by exchanging its promissory notes for those of individuals. The banks in this State and the United States, are a combination and complication of all these. Their history is, that their every obligation is dischargeable at any moment in coin. Their effect has been to banish coin from circulation, and almost from payments.

Their system, as existing among us, is the vastest and most effective scheme ever devised by the ingenuity or selfishness of man, whereby the few can govern and batten upon the many. Commerce, currency, the means and customs of people and government, have all become subject to its control and liable to its disasters. Truly, a fearful and irresponsible power and privilege! The system runs in a cycle of alternate delusive prosperity and wide-spread desolation; and nothing but the wondrous resources and elastic vigor of our country in its youth, could have withstood such, its sapping of its strength and binding of its sinews. What is that cycle? Confidence, so necessary to banks and paper money, has its excess and its panics. In its excess, banks expand their issues, and discount to any and all comers, whether good or bad, or on either business or accommodation paper. Money becomes superabundant, and prices rise artificially high. All, more or less deluded by the apparent prosperity, buy largely and speculate wildly. Immense debts are freely contracted. Foreign goods, attracted by the prices, flow in to an extent greater than the produce of the country usually exported can pay for. There is a glut—a superfluity over the ordinary wants of the country. Prices fall. A balance must be met in coin to the foreign creditor. The banks, through their bills are called upon for it—those bills cannot serve abroad. They have comparatively, for the emergency, little specie—it has been shipped abroad as capital in speculation. That little is being sent away; but the demand comes. The frail fabric of paper totters for want of a base. Panic ensues. Banks press their debtors, and their bills are called in. Money becomes scarce, paper is withdrawn, and there is no specie currency or capital at hand. Debts must be paid, debtors press debtors, prices fall more, property is everywhere sacrificed, panic increases the evils, and wide ruin is over the land. Industry and economy, the sweat of the brow of the working producer, after a time remedy the injuries—raise from the prostration. The lowered price of exportable produce at home, causes their shipment instead of specie, and the *inability to buy*, and fall of prices, check importation. Trade then grows more healthy, confidence be-

comes restored and again infatuated, and the same circle is run anew. Such is the history of Banks and paper money. These evils result from the *facts*, that banks can not only loan capital, but *credit* on interest ; that these loans, in the shape of Bank notes, circulate *as money*, when they have none of the true qualities of money, and are issued to any amount ; and that these bills drive from circulation and from the country, gold and silver. The bills readily circulated here, but not abroad, are easily substituted for gold and silver *as currency*, and the latter are therefore sent abroad to be used there *as capital*. *Credit*, founded upon honesty, property and industry, and that commands capital on their faith, is an indispensable and useful element in trade. But credit founded on credit, has mostly but the shifting sands of confidence to rest upon.

The leading effects or results of this latter credit are, first, that SPECULATION, which, sanguine, bold and thoughtless, develops to a fatal extent the types of the disease—inflated prices, extravagant issues, undue imports, recklessness of indebtedness, false principles, and an improper disposition of coin and *disregard of a specie standard*. Second, that general INDEBTEDNESS, which, while an outward show of prosperity and strength is preserved, is sapping the vigor, the morals and the productiveness of the country and individuals. Great Britain, next to the United States, is of all nations, most under the influence of, and dependent upon banking, paper money and fictitious credit. The London Times, its leading and most discriminating press, said in July last, “that one of the crying sins of the people of Great Britain is the national habit of indebtedness. Every one is in debt, and half the people, if their affairs were inquired into, would be found insolvent. The State sets the example. It owes nearly £800,000,000, and because the debt is of such fabulous proportions, it gives up all effort to repay.” Is not this statement emphatically true, in a greater or less degree at different stages in the cycle of our affairs, of our people and States ? The next effect is, that we are the last in a chain of *dependents* upon this artificial credit. It is a *chain* because we can get no other as a general element, and that

only through its *connections*. Our people and trade buy it, for currency and commercial purposes, of our banks; they buy it of banks at the North in the importing cities; they obtain it of capitalists and banks in Great Britain; and they, from the bank of England, the sway of which is as absolute over our interests and moneyed system, as that a derangement in that nation to a certainty produces an *instantaneous*, and therefore unnatural shock throughout our entire limits and trade. This effect upon us, is then oppressive and cramping. Exports enrich a country, imports build up cities, and one should pay for the other. But this vast artificial system of credit has so diverted this interchange from its healthy and simple tendency, and so established a custom of long credits and uncertain payments, that until we again establish a credit founded merely upon produce and specie, we cannot have a direct and untaxed trade, nor that trade be conducted in an independent, prompt and safe manner. This dependency too, is peculiarly felt by the planter or agriculturist. If space permitted, it could be easily shown that our present system has induced him, his revenue coming in at an annual period, to anticipate that revenue by yearly credits. The result is common, therefore, that he is seduced into an indebtedness over his income—a terrible evil to a planting country! But there is another result. Banks are the only regular lenders, and paper the only money. He wishes to borrow, but his payments being annual, his paper is seldom bankable, and there is no other regular or convenient source of moneyed capital, from which he can draw, in independence of banks, or the casualties of its bills and business. But payments must be made, and his property be frequently—yea, is generally sacrificed. In truth, credit of any kind, from its very nature, is a dangerous element—*dangerous to both property and trade*, and should only be permitted when based on the soundest constituents, and required by the most clear exigencies: as for example, buying bills of exchange drawn upon the shipments of produce, or loaning money upon paper given on the sale of property, where the parties are good. And in truth, it is an element most demanded and most advocated, by those who, have “little to

lose and everything to gain," and generally what the speculator gains, the producer or consumer loses.

But it may be inquired, what distinguishes this artificial or fictitious credit from that natural kind, which directly rests upon a combination of property, industry and honesty. The answer is, its almost illimitable expansibility, and its difference of basis. Banks generally lend *credit—their promises to pay*, and not actual capital. This lending of credit, instead of being limited by, and to the amount of capital, moneyed or otherwise, which they possess, and which bounds substantial loans, may expand as far as men will take their bills. The notoriety of the bank, and the fact that men freely borrow from it without knowing its liabilities, and upon a presumption of its goodness, and therefore do not hesitate to take its bills, enable it to contract an indebtedness far beyond its actual capital. Regarding its specie and real estate as alone constituting this actual capital of banks, the liabilities of all, even the soundest banks of the State and Union, are usually from five to ten times that capital. Every thing, then, depends upon the borrower, and all know that his capacity to pay is of mere guess work and speculation, and is still more uncertain under an entire paper currency, where the value of his property is affected by its contractions and expansions, and often unexpectedly dissipated by them.

But its basis is different. We have defined that of one to be property, honesty and industry. That of the other is mainly *confidence*. From the disproportion of bank liability to bank actual capital, it is evident that its chief resource is the realizable value in a short time of the *credit* of its borrowers. A general panic, a general recall of paper money, and the consequent absence of money of any kind—a general glut in the sale of property, and its consequent general sacrifice—all of which frequently occur in different degrees, may and will, render this realization of the value of such credit either ruinous to the banks or the country. A terrible alternative, indeed!

Your Committee are not disposed to deny or overlook the advantages supposed to result from banks. They greatly protect the gold and silver of a community from loss by

abrasion, or by robbery and fire. By the creation of paper money only to the extent of a part of the currency, they enable the country to export a part of the metallie money, which was previously required to circulate its commodities, and thereby convert it into actual capital, yielding an annual income. This paper money, too, is of convenient form to be transmitted, kept, or carried safe. But these advantages are the merest trifles in comparison with the great evils they inflict in a thousand forms on a country, where they are the exclusive arbiters of credit and furnishers of currency.

The great truths are, that banks should not furnish and govern the currency of a country, and that such currency, so furnished and governed, is a false one. Their so doing is not within the *design and legitimate business* of banking—which are the lending of capital, and, to a certain extent, of credit, on *business paper*—that is, paper given upon the actual sale or transfer of property and goods. This legitimate business we would leave them. We would not even wholly interdict their dealing in foreign or domestic exchange, which, from their exclusive control over the quantity and quality of the currency, they have turned to their interest and to the injury of the country. We would also leave them all the advantages and profits of deposits. But we would and must eradicate their evils, lop off their dangerous capacities, and curb their injurious tendencies. To this end, their power to drive from circulation and the country the coins, by a substitution of small bills, must be taken away by prohibiting those bills. Their power to exclusively create and control the currency, and thus to expand and contract it *ad libitum*, must be abated and removed, by enabling trade, with its great corrective tendencies, to bring into and keep in circulation and reach, sufficient amounts of the only true mediums and standards, gold and silver, to check and keep sound, credit-lending and bank bills, by the ceaseless action and competition of specie; and thus to enforce a sound currency, and the practice and ability of constant convertibility, so invaluable to the country as an accurate test and remedial agent. Their vast system of artificial credit, that deranges the legitimate channels and customs of trade, as well as the soundness and just quantity of

the currency, must be narrowed to the limits of safety and purity, by enabling rivals, whether called bankers, brokers, or lenders, to arise, who will, as a business, lend *actual moneyed capital*, and afford sound commercial facilities, and by enabling every man thereby to borrow as lend such capital, according to his means, and to obtain it without either the exclusion or assistance of favoritism, or partial rules. Property must also be enabled always to command its value in the market, and to resist subjection to ruinous fluctuations. The country, too, must be enabled to buy as well as sell by a specie standard, and to go, on equal and independent terms, into the market of the world. All these objects must be effected, for us to be substantially and permanently prosperous.

But let us descend to some important details. A large portion of bank bills is of denominations under twenty dollars, and if not allowed to be issued, paper money would not only to a great extent be removed, but beyond a certain point, could not be forced into or kept in circulation. In the ordinary inland trade—in the transitions between the producing classes, and from them to the commercial, money of denominations under twenty dollars constitutes necessarily, the active part of the currency, and therefore must be had in proportion to its use, in exclusion of the higher. This sphere could not be entered by large bills, although they would enter largely into circulation, and be used when large amounts were to be transmitted or kept. Bank issues, then, that are not wanted, and of course continually rejected by the circulation and action of a specie medium and standard, would be returned upon the banks. Paper money would thus be limited to a portion of the whole currency, and banks could not issue their bills, as might suit their purposes or fictitious necessities. As silver and gold coins vary, say from five cents to twenty dollars, there must be an entire exclusion of paper bills of corresponding amounts, in order to insure a free flowing in of specie from all countries, and through every commercial channel, and to effect a full restriction of our banking system.

It will be perceived that while your Committee would make the currency natural and sound, it would not altogether ex-

clude paper money; and while it would reform and limit our banking system, it would yet retain its advantages. We seek a just and salutary mean between the extremes. That the effects would result, as we have urged, to our currency, commerce, and banking system, from the policy and measure proposed, and as authority and example for our suggestions and views, we refer to the whole trading and enlightened world. The United States is the only country where coins are excluded from circulation, where the money is almost entirely paper, and where commerce and currency are completely under the control of irresponsible Corporations. In England, the lowest paper money is of the denomination of about twenty-five dollars, in France of about ninety-five dollars, and in other European countries of similar sums. In Great Britain the circulation comprises about a hundred and fifty millions of dollars in coin, and the same sum in paper, or half and half. In Cuba, remarkable for its steadiness of currency and trade, and which are large, the currency is almost entirely gold. So also specie in France, Holland and Russia. In Missouri there is no bank bill under *ten* dollars, and in various sections of the Union, as Mississippi, the currency is almost wholly specie. The United States Government has set a wise example in breaking all connection with and dependence upon, banks and paper money, and in using specie in its fiscal operations. Let the boast of South Carolina now be, that she sees the policy and propriety of the proposed reforms, and proceeds to secure them.

The denominations of bills over twenty, are fixed at fifty and one hundred dollars, because *intermediate* amounts might be made greatly to interfere with tens, fives, and other smaller or larger denominations of specie.

Let us, in conclusion, advert to such objections as suggest themselves to the proposed measure. It is not at variance with the meaning and spirit of Bank Charters, as they were never designed to give banks the entire creation and control of currency; or to enable bank evidences of debt—mere Notes, to circulate as money. These were unpremeditated consequences. And the policy would be in accordance with that control which the Legislature should at all times have

over banks and their charters, when their operations are injurious to the community. The charters of all our Banks, (except that of the Bank of the State,) already prohibit their issuing bills under the denomination of five dollars. It may be said that the legal presumption from this is, that the contract with them authorizes their issuing bills of and over that amount, and that any further prohibition cannot affect those whose charters are not alterable, until those charters expire. Let the courts decide this question. We have in this State twelve Banks, and the law provides that all charters hereafter granted, shall be subject to repeal, alteration or amendment by the Legislature. Six of these Banks, by acceptance of the provisions of the Act of 1840, are already subject to this Legislative direction. The charters of the other six, expire at periods commencing in January, 1853, and ending in January, 1857; and if the prohibitions cannot take effect until such expirations, they are yet close at hand, and the time is upon us for a decision. The very next Legislature will have to consider and decide upon the work and terms of re-charter.

But it is said, that if the small bills of our Banks were prohibited, those of other and adjoining States would flood our circulation. This apprehension should not deter us from doing what is right, and from an effort to induce others to join in the reform. But it is groundless to any important extent. The absolute prohibition of their circulation, where-soever or by whomsoever issued, would preclude their being bankable or receivable for taxes, or in payment of debts in this State, and these results would effectually exclude them. This was shown in Pennsylvania, in 1828, when she led the way in getting rid of small bills under five dollars. But again: the general operations of trade in the State would exclude them. That which circulates as money in a community is obtained in its markets of sale and export, and nothing will serve long in circulation, which is not at par with specie, and legally transferable in those markets. Under the proposed measure, too, those markets would become *specie points*—places where the demand for, and supply of coins would concentrate, and form a stringent specie standard,

where the bills of few could stand the test. A planter sends his cotton or rice to Charleston, the final market before exportation for nine-tenths of the State, and he is paid for it in specie and in Charleston or other State Banks' bills, which will there fill all the arteries and veins of circulation, and when carried home with him, will constitute the currency of his section. In this way every section would become supplied with the desired currency. The Banks of the State also, would use every effort and means to exclude from circulation the bills from other States, because it is their interest to have every possible room for the circulation of their own. Thus the force of law, the course of trade, and the management of Banks, would effectually prevent the objection.

To consummate the views and purposes presented by your Committee, they herewith submit a Bill.

They would also respectfully advise, that the Governor be directed to bring this subject to the attention of all the States, and especially of those surrounding us, through their Executives; and to invite their immediate co-operation and assistance in carrying out the great and important measures proposed. They therefore recommend the adoption of the annexed Resolution.

All of which is respectfully submitted.

JOHN CUNNINGHAM,

Chairman Special Committee.

Resolved, That the Governor of this State, at the earliest moment, do invite, through the Governors of all the States of the Union, the attention of those States to the policy of prohibiting all paper money under the denomination of twenty dollars, and their co-operation in securing throughout the nation the free circulation of specie alone as currency, under such denomination.

A BILL

To limit the issue by Banks, or other corporations, of any bills or notes to denominations of twenty, fifty and one hundred dollars or upwards, and for other purposes.

SEC. 1. *Be it enacted by the Senate and House of Representatives, now met and sitting in General Assembly, and by the*

authority of the same, That no Bank, or other body, politic or corporate, within this State, shall hereafter be allowed to issue or pay out any promissory notes, payable to order or bearer, or any bills of credit, or any scrip, either of their own or wheresoever or by whomsoever issued, in the nature of a circulating medium, or other than such as answer the purpose of contracts, except those of the denominations or amounts of twenty, fifty, and one hundred dollars or upwards, under a penalty of ten dollars for each and every dollar so issued or paid out, and all or any such notes or bills, so issued, or paid out, contrary to this act, are hereby made and declared to be utterly void.

SEC. 2. *Be it further enacted,* That every Bank, or body corporate, now existing in this State, shall, on or before the first day of October, in the year eighteen hundred and fifty-one, withdraw from circulation, and cancel all such, their notes, bills, or scrip, as hereinbefore described, under the denominations or amounts of ten dollars; and on or before the first day of September, in the year eighteen hundred and fifty-three, all under the denomination or amount of twenty dollars; and all such notes, bills, or scrip as may not be so withdrawn or cancelled, at the times respectively specified, shall be so as soon as possible; and shall not be payable for taxes, or in discharge of debts, (except to the issuer,) or receivable by any Bank or body corporate, except the one that has issued them, under a penalty of ten dollars, for each and every dollar of such notes, bills, or scrip, so paid or received.

SEC. 3. *Be it enacted,* That no notes, bills or scrip, issued now or hereafter, in the nature of a circulating medium, by any Bank, or body politic or corporate, of any other State or nation, other than those of the denominations or amounts of twenty, fifty and one hundred dollars or upwards, shall hereafter be receivable or payable in this State in any manner whatsoever, under a penalty of ten dollars on such receiver or payer, for each and every dollar so received or paid.

SEC. 4. *Be it further enacted,* That half of the penalties imposed by this Act, shall be payable to the informer.